

NEWS RELEASE



***OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

***United States Attorney
Karen P. Hewitt***

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For Immediate Release

NEWS RELEASE SUMMARY - September 24, 2007

United States Attorney Karen P. Hewitt announced today the unsealing of seven indictments charging 14 individuals engaged in operating underground steroid laboratories on federal drug trafficking and money laundering violations. The indictments were the result of an international investigation, named “Operation Raw Deal,” targeting sources of raw steroid powders, and underground manufacturing labs (UGL), as well as internet suppliers of anabolic steroid conversion kits. The indictments in this district charge the defendants with Conspiracy to Import and Distribute Schedule III Controlled Substances, namely anabolic steroids, and Conspiracy to Launder Monetary Instruments. The indictments also contain criminal forfeiture allegations.

In December 2005, the Southern District of California’s “Operation Gear Grinder” shut down the illegal importation of anabolic steroids by major Mexican manufacturers and distributors. When U.S. bodybuilders were forced to seek other sources of supply for anabolic steroids, illicit underground laboratories quickly filled that market void. Federal law enforcement agencies responded with “Operation Raw Deal.” The UGL facilities filled the need by ordering raw steroid powders from foreign sources, including China,

and manufactured their steroid products in makeshift labs located in basements, garages and kitchens. UGLs list their products on internet bodybuilding websites, chat rooms and discussion boards – the portal through which a potential steroids user gains access to information on dosing instructions, how to order, how to avoid law enforcement detection, and how to create underground labs. The suppliers and customers of this scheme used encrypted email services to conduct these transactions.

“Operation Raw Deal” is the culmination of a nearly two-year-long investigation led by the Drug Enforcement Administration. Since the operation began, more than 50 UGLs have been disrupted and dismantled, more than 143 search warrants have been executed on targets nationwide, and 124 steroid traffickers have been arrested as part of this operation. In addition, assets totaling \$6,507,647 in U.S. currency have been seized and hundreds of thousands of vials and pills of anabolic steroids have been seized by law enforcement.

According to United States Attorney Karen P. Hewitt from the Southern District of California, “This painstaking investigation and the resulting indictments mark an important turning point in the coordinated work of our federal law enforcement agencies throughout the Nation to disrupt and expose the illegal importation and distribution of anabolic steroids using the Internet. Criminal activities such as these are not anonymous and can never remain underground for long.”

DEA Special Agent in Charge Ralph W. Partridge said, “Operation Raw Deal illustrates the success that results when DEA flexes its own muscles in the form of a comprehensive, multi-national investigation aimed at the steroids problem. Whether you are a distant chemical source, a local steroid distributor or an eager end-user, our message to you today is clear: Your poison has become our problem and we will remove the choke hold it has on our children.”

“The FDA Office of Criminal Investigations takes this illegal conduct very seriously and fully supports the investigation and ultimate prosecution of these profiteers who endanger the public by formulating and selling unapproved illegal drugs, even when those who would be endangered are willing participants. These buyers are solely motivated by a desire to gain an unfair competitive advantage by using

illegal performance-enhancing substances and the sellers are not concerned with the buyers' health but with making money,” said Terry Vermillion, Director of the FDA Office of Criminal Investigations.

“Whenever someone uses the U.S. Mail to send anything that they know is dangerous, illegal or counterfeit, postal inspectors are prepared to find them and arrest them in order to preserve the integrity of the mail,” said Chief Postal Inspector Alexander Lazaroff of the United States Postal Inspection Service. “I am proud to partner in this operation to stop the suppliers of anabolic steroids and the customers who purchase them, so that the mail will not be an ingredient in this deadly recipe.”

“The collaboration of law enforcement efforts that led to this week's arrest sweep and indictments in Operation Raw Deal is a fine example of how law enforcement is united in taking a stand to combat the trafficking of anabolic steroids,” said Debra D. King, Special Agent in Charge, IRS Criminal Investigation's Log Angeles Field Office. “IRS special agents continue to utilize their financial expertise in tracing laundered funds of these sophisticated drug operations, whether at home or abroad, and identifying their assets obtained with illegal proceeds.”

“This operation led to the dismantling of approximately 100 illegal sites that aided in the manufacturing and distribution of anabolic steroids, prescription medicines, counterfeit drugs and chemical precursors originating from approximately 30 rogue laboratories in China,” said Assistant Director Kenneth W. Kaiser, FBI Criminal Investigative Division. “The FBI is committed to working with its law enforcement partners worldwide to eliminate internet steroid distributors who claim to be legitimate pharmaceutical companies.”

“This investigation sends a strong message to anyone considering using the Internet to lure customers to buy dangerous substances,” said Lorraine Concha, Assistant Special Agent in Charge for ICE Investigations in San Diego. “Through our joint efforts we are attacking schemes of this kind on multiple fronts.”

U.S. Attorney Hewitt stated that this investigation was supported by the Justice Department's Organized Crime Drug Enforcement Task Force ("OCDETF"), and the Office of National Drug Control

Policy's High Intensity Drug Trafficking Area (HIDTA) program. The OCDETF program was created to consolidate and utilize all law enforcement resources in this country's battle against major drug trafficking.

DEFENDANTS

Criminal Case No. 07cr2516JAH

Goran Crnila
Joshua Travis Phillips
Ray Arthur Ross
Natasha Bensulong

Criminal Case No. 07cr2577JAH

Adam C. Hullander

Criminal Case No. 07cr2578JAH

Israel Sanchez
Felix Parache

Criminal Case No. 07cr2579JAH

Charles Joseph Lupico

Criminal Case No. 07cr2580JAH

Timothy Edward Smith
Jeffrey Lee Mitchell
Thomas Robert Souders

Criminal Case No. 07cr2581JAH

Michael Guthrie

Criminal Case No. 07cr2582JAH

John Russo
Otis Neal Armour

SUMMARY OF CHARGES

Count 1 - Title 21, United States Code, Sections 952, 960, 963 - Conspiracy to Import Anabolic Steroids

Count 2 - Title 21, United States Code, Sections 841, 846 - Conspiracy to Distribute Anabolic Steroids

Maximum Penalties: 5 years' imprisonment; \$1,000,000 fine (if an individual) or \$4,000,000 fine (if a business); 3 years of supervised release

Count 3 - Title 18, United States Code, Section 1956 - Conspiracy to Launder Money

Maximum Penalties: 20 years' imprisonment; \$500,000 (if an individual); 5 years of supervised release

Title 21, United States Code, Section 853 and Title 18, United States Code, Section 982 - Criminal Forfeiture

PARTICIPATING AGENCIES

Drug Enforcement Administration

Food and Drug Administration, Office of Criminal Investigation

Internal Revenue Service – Criminal Investigative Division

United States Postal Inspection Service

Federal Bureau of Investigation

Immigration and Customs Enforcement

United States Marshals Service

Royal Canadian Mounted Police

Edmonton, Alberta, Canada Police Service

An indictment itself is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.